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C O N F I D E N T I A L SECTION 01 OF 03 NEW DELHI 003810

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TAGS: [PREL](#) [ENRG](#) [ETRD](#) [KNNP](#) [TSPA](#) [RS](#) [CH](#) [IN](#)

SUBJECT: PUTIN: "MANY GUESTS IN MOSCOW, BUT ONLY ONE INDIA"

REF: A. NEW DELHI 5978

[1](#)B. NEW DELHI 3652

[1](#)C. NEW DELHI 3653

[1](#)D. NEW DELHI 7733

Classified By: Charge Robert O. Blake, Jr., for Reasons 1.4 (B, D)

[1](#)1. (C) Summary: According to our Indian contacts, President Putin offered India a range of defense and energy cooperation proposals during PM Manmohan Singh's May 8-10 visit to Moscow, renewing top-level bonhomie after his scratchy visit to New Delhi last December. Commenting on Putin's offer to look into India's request for four additional nuclear reactors and nuclear fuel, jointly produce MIG-29s, begin a Joint Working Group for economic cooperation, and discuss high-tech cooperation on a global navigation system, NSA MK Narayanan called the visit "far more productive than anticipated." The bulk of the Russia-India relationship continues to gravitate around defense and energy cooperation, but the former remains bogged down in details over Intellectual Property Rights (IPR) while the latter continues to face obstacles over Nuclear Supplier Group (NSG) restrictions. India-Russia dialogue is set to continue when President Kalam visits Russia at the end of May and at the first ever stand alone meeting between the Foreign Ministers of India, Russia and China on June 2 in Vladivostok. By playing such close attention to the PM at a time when the leaders of 53 other countries were also in Moscow, Putin appeared to signal that he does not want to let India's growing ties with the US and other partners overtake old fraternal relations with Moscow -- but the reality is that others are catching up. End Summary.

Priority on Nuclear Energy

[1](#)2. (U) With energy a major focus of the meeting, the Indian PM reportedly emphasized New Delhi's request for expanded nuclear cooperation and assured Putin that the GOI would soon pass export control legislation to address proliferation concerns. According to press summaries of his meeting, India would like four additional 1000 mega-watt nuclear reactors for its Koodankulam nuclear power station and more enriched uranium for its US-built Tarapur reactors. (Note: Putin rebuffed the Tarapur fuel request in December 2004, citing NSG restrictions. Russia is currently assisting with two such nuclear reactors, made possible because the agreement was signed in 1989 before Russia joined the NSG in 1992. These reactors are two of the five Indian facilities under IAEA safeguards (Ref A). End Note).

[1](#)3. (C) Stressing India's role as a responsible nuclear power, the PM briefed Putin on a major piece of export control legislation that was before Parliament. Singh asserted that the "Weapons of Mass Destruction and their Delivery Systems" legislation (Ref B), subsequently passed on May 13, would increase international confidence in India's export controls, thus paving the way for greater nuclear cooperation. According to the Tribune News Service, NSA Narayanan speculated that "concrete results encompassing cooperation in nuclear energy are expected soon."

[1](#)4. (C) One week after the PM-Putin meeting, Foreign Secretary Saran told the Charge that although the Russian

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president made no commitment, he agreed to review proposals for nuclear cooperation and promised to give the matter his "individual attention" (Ref C). While pessimistic about the chances that additional Russian reactors could be supplied under current restrictions, Dr. Nandan Unnikrishnan, a Russian expert from the Observer Research Foundation (ORF) attributed this changed Russian position in part to the civil-nuclear dimension in recent US initiatives and observed that "having the Americans in the nuclear market has given the GOI room to negotiate."

[1](#)5. (C) Energy is also likely to figure at a meeting of the Foreign Ministers of India, China and Russia on June 2 in Vladivostok, a trilateral idea Moscow initially proposed in [1](#)998. Briefing the press on his way home from Russia, the PM stated that "There are immense possibilities of cooperation." A major motive for this meeting, ORF's Unnikrishnan asserted, is the fact that India and China are the world's most quickly growing energy consumers, an area where Russia

is a key player. Therefore, he added, it is in their mutual interest to avoid competing over Russian energy, which would lead to higher prices in both countries.

Defense Cooperation and Continuing IPR Problems

16. (C) Emphasizing to the PM that "Russia has always stood by India and will always stand by India," Putin reportedly pushed his offer for joint production of the MIG-29, presumably to counter the US offer to co-produce F-16 or F-18s with India. He dropped a key clause on retroactivity from the IPR agreement, which the two sides have been unable to agree on after Putin first offered India "a role" in producing MIG-29s during his December 2004 visit (Ref D) and which India would not accept. Dr. Anuradha Mitra Chenoy, a Russian studies professor at Jawaharlal Nehru University (JNU), told Poloff recently that the US offer "might have pushed it" (the Russian offer), but recalled that India and Russia have a history of coproduction, including T-72 and T-90 tanks, the SU-30 fighter aircraft and most recently, the BrahMos cruise missiles. Sixty to seventy percent of Indian military hardware still comes from Russia, she added, although India complains about delays in production, lack of spare parts and the difficulties of servicing broken equipment. Russia made the offer because it "doesn't want to miss out" on the defense deals, she speculated. MEA Joint Secretary (Americas) S. Jaishankar likewise indicated to

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PolCouns that New Delhi saw the US multi-role combat aircraft offer as a key driver of the Russian's new MIG-29 proposal.

GOI Resists Restrictions on Third Party Equipment

17. (C) When Putin dropped the remaining retroactive clause obstacle to the IPR agreement, Indian Ambassador to Russia Kanwal Sibal reportedly concluded that Russia had "broadly agreed to a draft agreement". He asserted that it would be signed shortly and "significantly upgrade the level of defense collaboration." Sujan Dutta, who covers military affairs for the "Telegraph", told Poloff that one week later, the draft was returned to India for stronger protection in the areas of co-production arrangements and third party upgrades. According to Dutta, the first part of the agreement gives Russia veto power over any other Indian company that makes parts for the co-produced military hardware. Dutta suggested to PolOff that this could limit India to buying spares only from Russia. The second clause restricts India from upgrading Russian hardware with third party equipment without Russian approval. Russia is apparently concerned about Israeli upgrades to their hardware and the resulting loss in market share. According to the "Hindustan Times", the GOI has called this "restrictive," while Moscow says this agreement is a precondition for all future deals.

18. (C) ORF's Unnikrishnan pointed out that India used to sign IPR agreements with Russia on a contract-by-contract basis and have signed previous IPR agreements with the US, leading him to conclude that India will eventually sign one with Moscow. Calling this issue "teething problems" for an emerging global power, Unnikrishnan predicted that the signing would likely take place during Manmohan Singh's next state visit to Moscow, expected in November.

Restoring Economic and Technology Ties

19. (U) In an attempt to revive the economic and trade relationship, the leaders set up a Joint Working Group (JWG) to discuss banking issues and measures to increase trade. NSA Narayanan reportedly said that the JWG was set up because "economic relations do not mirror Indo-Russian strategic relations". Noting this gap, Dr. Unnikrishnan stated that the Indian-Russian economic relationship offers the most room for growth. Although it has lagged behind since the end of the Soviet Union, he believes both leaders have realized that any "strong relationship must have an economic underpinning" and that India could assist Russia in agriculture, small scale business, IT and the diamond industry. Putin and Singh also reportedly finalized an agreement to aid Moscow's entry to the WTO. According to NSA Narayanan, Petroleum Minister Mani Shankar Aiyar will visit Moscow in late May to explore opportunities to meet India's skyrocketing energy needs through increased investment in the Sakhalin 3 and Kurmangazy oil fields. In the area of space, Putin sought Indian assistance in setting up a global navigation "Sputnik" system as a rival to the US Global Positioning System.

Comment

10. (C) Indo-Russian summits inevitably call up references to their historically special relationship, but Russia's

attitude towards India has changed since Putin's visit last December. After the parade of government leaders that have come through Delhi recently, Russia has taken note of India's growing number of competing "strategic partners." It may be, as Dr. Unnikrishnan put it, that "the Russian-Indian relationship was running into a glass ceiling, which Russia wants to transcend." Putin's proposals on nuclear and defense cooperation look like catch-up after recent US activity in this area. India also seems to be using growing US-India ties to its advantage with Russia, demonstrated by the PM's ability to spin the export control legislation, which was primarily drafted to address the requirements for the Next Steps in Strategic Partnership (NSSP) and the UNSCR 1540, to push for greater nuclear cooperation with Russia.

11. (C) Nonetheless, these good intentions do not portend clear sailing. The IPR agreement is the clearest manifestation of the difficulty the GOR and GOI face in coming to concrete agreements that accommodate the shifting power equation of their relationship. The three-way meeting in Vladivostok is symbolically significant as the three countries' first stand-alone meeting, driven in large part by their mutual interest in energy. Putin reportedly remarked at the VE meeting that "There are many guests in Moscow, but only one India." From the Delhi standpoint, Putin seems increasingly aware that if Russia does not keep up the momentum in its ties with New Delhi, then India's attention will turn elsewhere.

12. (C) However, New Delhi's shifting priorities were also reflected in the great importance that Indian commentators have attached to what we understand was a second-long encounter between the PM and President Bush. For many in New Delhi, the President's reported expression of appreciation for Indian democracy and his anticipation of a successful Manmohan visit to Washington in July was as important as the perceived restoration of good vibes around the Indo-Russian relationship.

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